

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Northport	County Leelanau
Audit Date 2/29/04	Opinion Date 4/14/04	Date Accountant Report Submitted to State: 6/3/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

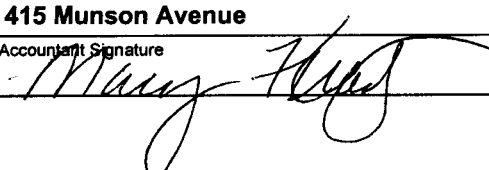
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Dennis, Gartland & Niergarth, P.C.			
Street Address 415 Munson Avenue	City Traverse City	State MI	ZIP 49686
Accountant Signature 		Date 1/5/05	

**Village of Northport
Leelanau County, Michigan**

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

February 29, 2004

Dennis, Gartland & Niergarth, P.C.

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Village of Northport

VILLAGE OFFICIALS

February 29, 2004

Michael F. Rogers, Sr.	President
Mary J. Bell	Treasurer
Laura A. Weiss	Clerk
William J. Brendel	Trustee
Richard Burmeister	Trustee
Frederick H. Thomas	Trustee
Kevin Sauvage	Trustee
Beth VonVoigtlander	Trustee
Stephen Wetherbee	Trustee



DENNIS, GARTLAND & NIERGARTH P.C.

Business and Financial Advisors
Our clients' success - our business

Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable President and
Members of the Village Council
Village of Northport
Leelanau County, Michigan

We have audited the accompanying general purpose financial statements of the **Village of Northport**, Leelanau County, Michigan for the year ended February 29, 2004. These general purpose financial statements are the responsibility of the management of the Village of Northport. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Northport as of February 29, 2004, and the results of its operations and the cash flows of its proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Northport. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2004 on our consideration of the Village of Northport's internal control and its compliance with laws and regulations.

Dennis, Gartland & Niergarth, P.C.

April 14, 2004

Member of



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Village of Northport

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

February 29, 2004

With comparative totals for February 28, 2003

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Types	Account Group		Totals	
	General	Special Revenue			General	Fixed Assets	(Memorandum Only)	
							February 29, 2004	February 28, 2003
ASSETS								
Cash	\$ 28,830	\$ 82,943	\$ 93,533	\$ 574	\$ -	\$ 205,880	\$ 464,910	
Cash invested	394,019	82,314	217,189	-	-	693,522	412,174	
Cash restricted for replacement	-	-	307,821	-	-	307,821	299,251	
Cash restricted for debt retirement	-	-	300,323	-	-	300,323	291,069	
Receivables								
Taxes	2,362	-	-	-	-	2,362	2,362	
Accounts receivable	7,243	-	13,420	-	-	20,663	25,300	
Due from other governmental units	8,309	5,357	-	-	-	13,666	14,518	
Prepaid expenses	143	-	856	-	-	999	15,751	
Fixed assets, net of accumulated depreciation	-	-	2,175,593	-	848,283	3,023,876	2,952,559	
Total assets	\$ 440,906	\$ 170,614	\$ 3,108,735	\$ 574	\$ 848,283	\$ 4,569,112	\$ 4,477,894	

LIABILITIES AND FUND EQUITY

LIABILITIES

Current portion of long-term debt	\$	-	\$	-	\$	15,000	\$	15,000
Accounts payable		7,033	-	-	-	2,794	-	9,827
Accrued liabilities		1,287	990	-	574	1,347	-	3,999
Deferred revenues		2,362	-	-	-	285	-	3,969
Accrued interest payable		-	-	-	-	1,618	-	2,647
Payable from restricted assets		-	-	-	-	-	-	2,632
Accrued interest payable		-	-	-	-	11,233	-	12,313
Current portion of long-term debt		-	-	-	-	50,000	-	45,000
Notes payable		-	-	-	-	506,612	-	571,612
Total liabilities		10,682	990	574	-	588,889	601,135	657,172

FUND EQUITY

Investment in general fixed assets	-	-	-	-	848,283	848,283	769,885
Contributed capital	-	-	491,664	-	-	491,664	532,409
Retained earnings	-	-	-	-	-	-	-
Reserved for debt retirement	-	-	300,323	-	-	300,323	291,069
Reserved for replacement	-	-	307,821	-	-	307,821	299,251
Unreserved	-	-	1,420,038	-	-	1,420,038	1,373,481
Fund balance	-	-	-	-	-	-	-
Reserved for police car	2,925	-	-	-	-	2,925	2,901
Reserved for garage	61,905	-	-	-	-	61,905	36,229
Reserved for major equipment	66,657	-	-	-	-	66,657	65,860
Reserved for parks	974	-	-	-	-	974	965
Reserved for street lights	10,134	-	-	-	-	10,134	10,000
Unreserved	287,629	169,624	-	-	-	457,253	438,672
Total fund equity	430,224	169,624	2,519,846	-	848,283	3,967,977	3,820,722
	\$ 440,906	\$ 170,614	\$ 3,108,735	\$ 574	\$ 848,283	\$ 4,569,112	\$ 4,477,894

Village of Northport

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the year ended February 29, 2004

With comparative totals for the year ended February 28, 2003

	General Fund	Special Revenue Funds	Totals (Memorandum Only)	
			February 29, 2004	February 28, 2003
Revenues				
Property taxes	\$ 290,266	\$ -	\$ 290,266	\$ 269,775
Intergovernmental revenues				
State sources	50,604	70,242	120,846	118,194
Contributions	-	7,963	7,963	7,697
Equipment rental	14,730	-	14,730	12,277
Interest income	5,093	1,377	6,470	7,887
Other	46,091	-	46,091	82,932
Total revenues	406,784	79,582	486,366	498,762
Expenditures				
General government				
Council	5,081	-	5,081	5,167
President	1,077	-	1,077	1,163
Administrative coordinator	13,702	-	13,702	12,685
Elections	308	-	308	699
Accounting fees	2,051	-	2,051	2,198
Attorney fees	1,461	-	1,461	952
Clerk	16,815	-	16,815	16,085
Treasurer	4,426	-	4,426	3,785
Office	18,907	-	18,907	20,569
Village property	52,919	-	52,919	54,595
Zoning administration	7,959	-	7,959	14,706
Fringe benefits	2,174	-	2,174	1,627
Public safety				
Fire department	200	-	200	200
Community activities	-	8,000	8,000	6,710
Highway and streets	1,750	59,912	61,662	82,581
Street lighting	10,220	-	10,220	9,707
Parks and recreation	26,302	-	26,302	5,280
Other	18,052	-	18,052	2,434
Capital outlay	93,164	31,765	124,929	83,141
Total expenditures	276,568	99,677	376,245	324,284
EXCESS REVENUES OVER (UNDER) EXPENDITURES	130,216	(20,095)	110,121	174,478
Other financing sources (uses)				
Operating transfers in	-	66,936	66,936	86,010
Operating transfers out	(122,836)	(9,000)	(131,836)	(124,883)
Total other financing sources (uses)	(122,836)	57,936	(64,900)	(38,873)
EXCESS REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	7,380	37,841	45,221	135,605
Fund balance, beginning of year	422,844	131,783	554,627	419,022
Fund balance, end of year	<u>\$ 430,224</u>	<u>\$ 169,624</u>	<u>\$ 599,848</u>	<u>\$ 554,627</u>

The accompanying notes are an integral part of these financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Property taxes									
Intergovernmental revenues									
State sources	57,900	\$ 290,266	\$ (2,379)	\$ -	\$ -	\$ -	\$ 292,645	\$ 290,266	\$ (2,379)
Contributions	-	50,604	(7,296)	61,376	70,242	8,866	119,276	120,846	1,570
Equipment rental	13,833	14,730	897	8,500	7,963	(537)	8,500	7,963	(537)
Interest income	6,000	5,093	(907)	-	-	-	13,833	14,730	897
Other	43,063	46,091	3,028	2,260	1,377	(883)	8,260	6,470	(1,790)
Total revenues	413,441	406,784	(6,657)	-	-	-	43,063	46,091	3,028
Expenditures									
General government									
Council	5,764	5,081	683	-	-	-	5,764	5,081	683
President	1,551	1,077	474	-	-	-	1,551	1,077	474
Administrative coordinator	14,458	13,702	756	-	-	-	14,458	13,702	756
Elections	423	308	115	-	-	-	423	308	115
Accounting fees	2,500	2,051	449	-	-	-	2,500	2,051	449
Attorney fees	1,500	1,461	39	-	-	-	1,500	1,461	39
Clerk	17,494	16,815	679	-	-	-	17,494	16,815	679
Treasurer	4,533	4,426	107	-	-	-	4,533	4,426	107
Office	21,276	18,907	2,369	-	-	-	21,276	18,907	2,369
Village property	60,655	52,919	7,736	-	-	-	60,655	52,919	7,736
Zoning administration	8,734	7,959	775	-	-	-	8,734	7,959	775
Contingencies	792	-	792	-	-	-	792	-	792
Fringe benefits	5,220	2,174	3,046	-	-	-	5,220	2,174	3,046
Public safety									
Fire department	200	200	-	-	-	-	200	200	-
Disaster	200	-	200	-	-	-	200	-	200
Community activities	-	-	-	8,000	8,000	-	8,000	8,000	-
Highway and streets	1,750	1,750	-	125,138	59,912	65,226	126,888	61,662	65,226
Street lighting	10,220	10,220	-	-	-	-	10,220	10,220	-
Parks and recreation	27,335	26,302	1,033	-	-	-	27,335	26,302	1,033
Other	22,480	18,052	4,428	1,800	-	1,800	24,280	18,052	6,228
Capital outlay	108,520	93,164	15,356	37,267	31,765	5,502	145,787	124,929	20,858
Total expenditures	315,605	276,568	39,037	172,205	99,677	72,528	487,810	376,245	111,565
EXCESS REVENUES OVER (UNDER) EXPENDITURES	97,836	130,216	32,380	(100,069)	(20,095)	79,974	(2,233)	110,121	112,354
Other financing sources (uses)	25,000	-	(25,000)	66,936	66,936	-	91,936	66,936	(25,000)
Operating transfers in	(122,836)	(122,836)	-	(9,000)	(9,000)	-	(131,836)	(131,836)	-
Operating transfers out	(97,836)	(122,836)	(25,000)	57,936	57,936	-	(39,900)	(64,900)	(25,000)
Total other financing sources (uses)									
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	7,380	7,380	(42,133)	37,841	79,974	(42,133)	45,221	87,354
Fund balance, beginning of year	422,844	422,844	-	131,783	131,783	-	554,627	554,627	-
Fund balance, end of year	422,844	\$ 430,224	\$ 7,380	\$ 89,650	\$ 169,624	\$ 79,974	\$ 512,494	\$ 599,848	\$ 87,354

The accompanying notes are an integral part of these financial statements.

Village of Northport

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE

	Enterprise	
	Year Ended February 29, 2004	Year Ended February 28, 2003
Operating revenues		
Charges for services	\$ 333,767	\$ 363,624
Gas and oil sales	167,987	171,102
Other	4,893	9,952
Total operating revenues	<u>506,647</u>	<u>544,678</u>
Operating expenses		
Payroll and related benefits	142,552	148,004
Supplies	13,177	15,513
Contracted services	9,408	9,164
Utilities	24,287	27,494
Repairs	24,741	25,258
Equipment rental	35,573	32,073
Gas and oil purchases	135,976	138,156
Insurance	9,359	5,630
Depreciation	105,624	104,551
Miscellaneous	21,231	13,355
Total operating expenses	<u>521,928</u>	<u>519,198</u>
Operating income (loss)	<u>(15,281)</u>	<u>25,480</u>
Nonoperating revenue (expense)		
Loss on sale of asset	(3,801)	-
Interest revenue	17,363	24,968
Interest expense	(39,545)	(46,449)
Net nonoperating expense	<u>(25,983)</u>	<u>(21,481)</u>
NET EARNINGS (LOSS)	<u>(41,264)</u>	<u>3,999</u>
Transfers from other funds	64,900	38,873
Add depreciation on fixed assets acquired by capital grants	<u>40,745</u>	<u>40,745</u>
Net increase in retained earnings	64,381	83,617
Retained earnings, beginning of year	<u>1,963,801</u>	<u>1,880,184</u>
Retained earnings, end of year	<u><u>\$ 2,028,182</u></u>	<u><u>\$ 1,963,801</u></u>

The accompanying notes are an integral part of these financial statements.

Village of Northport

COMBINED STATEMENTS OF CASH FLOWS PROPRIETARY FUND TYPE

	Enterprise	
	Year Ended February 29, 2004	Year Ended February 28, 2003
Operating activities		
Net earnings (loss)	\$ (41,264)	\$ 3,999
Adjustments to reconcile net earnings to cash provided by operating activities		
Depreciation	105,624	104,551
Loss on sale of assets	3,801	-
Decrease in due from other funds	-	71,500
(Increase) decrease in cash invested	(2,551)	21,536
Decrease (increase) in accounts receivable	5,969	(14,304)
Decrease (increase) in prepaid expenses	4,225	(1,028)
Decrease in accounts payable	(153)	(1,653)
Decrease in accrued liabilities	(2,492)	(2,397)
Decrease in due to other funds	-	(1,661)
Net cash flow provided by operating activities	<u>73,159</u>	<u>180,543</u>
Investing activities		
Purchase of fixed assets	(102,344)	(10,678)
Transfers to restricted cash	(17,824)	(19,531)
Net cash used by investing activities	<u>(120,168)</u>	<u>(30,209)</u>
Capital financing activities		
Bonds retired and contract payments	(60,000)	(60,000)
Non-capital financing activities		
Transfers from other funds	64,900	38,873
NET INCREASE (DECREASE) IN CASH	<u>(42,109)</u>	<u>129,207</u>
Cash, beginning of year	135,642	6,435
Cash, end of year	<u><u>\$ 93,533</u></u>	<u><u>\$ 135,642</u></u>

The accompanying notes are an integral part of these financial statements.

Village of Northport

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES

Governmental Entity

The accounting policies of the Village of Northport (the "Village"), Leelanau County, Michigan, as reflected in the accompanying general purpose financial statements for the year ended February 29, 2004, conform to generally accepted accounting principles for local government units as prescribed by (1) the Governmental Accounting, Auditing and Financial Reporting (GAAFR) Manual (1980), (2) The Statements published by the National Council on Governmental Accounting (NCGA), (3) the Industry Audit Guide released by the American Institute of Certified Public Accountants (AICPA) effective for years beginning on or after January 1, 1989, and amendments thereto, and (4) Governmental Accounting Standards Board Pronouncements. The more significant accounting policies are summarized below.

The criteria established by NCGA Statement 3 for determining the various organizations to be included in the Village's general purpose financial statements include oversight responsibility, scope of public service and special financing relationships. These financial statements include only the funds of the Village of Northport which are listed in the table of contents. These are the only funds which meet the criteria of NCGA Statement 3.

Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types and three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and intergovernmental revenues.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Village applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Village in an agency capacity. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

General Fixed Asset Group

Fixed assets use in governmental fund type operations are accounted for in this account group. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Basis of Accounting

Funds Using the Modified Accrual Basis of Accounting

General Fund
Special Revenue Funds
 Major Street Fund
 Local Street Fund
 Fireworks Fund

The above-mentioned governmental funds use the modified accrual basis of accounting. Modification in this method from the accrual basis is as follows:

- a) Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on July 1 with the final collection date of September 15 before they are added to the County tax rolls.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Funds Using the Modified Accrual Basis of Accounting - Continued

- b) Interest income on special assessments receivable is not accrued until its due date.
- c) Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- d) Payments for inventorial types of supplies are recorded as expenditures at the time of purchase.

Funds Using Accrual Basis of Accounting

Enterprise Funds
Water Fund
Marina Fund

Under the accrual basis of accounting, revenues are recorded at the time they are earned, and expenses are recorded at the time liabilities are incurred.

Budgeting Process

Each February, a budget for the ensuing fiscal year is prepared by the Village Clerk and Council. Budgets are prepared for governmental funds. A public hearing is held to solicit comments from the Village residents. Subsequent to the hearing, the budgets are adopted by the Village Council.

Investments

Cash invested includes corporate money market funds and certificates of deposit.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Village considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fixed Assets

Fixed assets purchased by governmental fund types are recorded in the general fixed asset accounts group.

Fixed assets purchased by the proprietary funds are recorded at cost as assets in those funds and are depreciated over the estimated useful lives using the straight-line method. Estimated useful lives are:

Sewer and water mains	20 - 50 years
Buildings	15 - 25 years
Machinery and equipment	5 - 10 years

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

Total Columns On Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present the financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in this column.

NOTE B - CASH AND CERTIFICATES OF DEPOSIT

Michigan law authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations located in Michigan; bond securities and other obligations of the United States; United States government obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications.

All monies of the Village are deposited with two financial institutions, which provide FDIC insurance coverage. The Village's deposits and investments are as follows:

	Carrying Value	Bank Balance		
		Insured	Uninsured	Total
Cash and cash equivalents	\$ 205,880	\$100,000	\$ 151,428	\$ 251,428
Investments and deposits	<u>1,301,666</u>	<u>200,000</u>	<u>1,093,361</u>	<u>1,293,361</u>
	<u>\$1,507,546</u>	<u>\$300,000</u>	<u>\$1,244,789</u>	<u>\$1,544,789</u>

NOTE C - SUMMARY OF FIXED ASSETS

The following is a summary of fixed assets in the Proprietary Funds for the year ended February 29, 2004:

	Balance 03/01/03	Additions	Deletions	Balance 02/29/04
Enterprise Funds				
Land	\$ 220,991	\$ -	\$ -	\$ 220,991
Land improvements	67,652	-	-	67,652
Buildings	89,275	-	(1,010)	88,265
Other improvements	3,248,885	102,343	(146,766)	3,204,462
Mains, equipment and fixtures	<u>132,626</u>	<u>-</u>	<u>(76,409)</u>	<u>56,217</u>
Total	3,759,429	102,343	(224,185)	3,637,587
Less accumulated depreciation	<u>(1,576,755)</u>	<u>(105,624)</u>	<u>220,385</u>	<u>(1,461,994)</u>
	<u>\$2,182,674</u>	<u>\$ (3,281)</u>	<u>\$ (3,800)</u>	<u>\$2,175,593</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE C - SUMMARY OF FIXED ASSETS - Continued

A summary of changes in general fixed assets follows:

	Balance 03/01/03	Additions	Deletions	Balance 02/29/04
Land and land improvements	\$ 227,199	\$11,945	\$ -	\$239,144
Other improvements	69,926	-	-	69,926
Buildings and improvements	101,284	-	-	101,284
Equipment	<u>403,310</u>	<u>81,219</u>	<u>(46,600)</u>	<u>437,929</u>
	<u>\$ 801,719</u>	<u>\$93,164</u>	<u>\$(46,600)</u>	<u>\$848,283</u>

NOTE D - LONG-TERM DEBT AND CHANGES IN LONG-TERM DEBT

The following is a summary of transactions which occurred in bonds, contracts payable and notes payable during the year ended February 29, 2004:

	Marina Revenue Bonds	Notes Payable
Balance, March 1, 2003	\$500,000	\$131,612
Debt retired	<u>(45,000)</u>	<u>(15,000)</u>
Balance, February 29, 2004	<u>\$455,000</u>	<u>\$116,612</u>

On July 1, 1990, marina revenue bonds in the amount of \$720,000 were issued bearing interest at an average rate of 7.4%. Interest payments are due semiannually on May 1 and November 1. Principal payments of \$15,000 - \$75,000 are due each November 1 through the year 2010.

The bonds may be redeemed, at the option of the Village, on any interest payment date on or after May 1, 2000, at par and accrued interest, plus a premium expressed as a percentage of par value as follows:

2% of the par value of each bond or portion thereof called for redemption on or after May 1, 2000, but prior to May 1, 2002.

1% of the par value of each bond or portion thereof called for redemption on or after May 1, 2002, but prior to May 1, 2004.

No premium shall be paid on bonds called for redemption on or after May 1, 2004.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE D - LONG-TERM DEBT AND CHANGES IN LONG-TERM DEBT - Continued

In July 1995, the Village entered into an installment purchase agreement in the amount of \$221,612. During the year ended February 29, 2004, the Village refinanced the agreement. Interest payments at 4.75% are due semiannually on May 1 and November 1. Principal payments of \$15,000 - \$41,612 are due each November 1 through the year 2009.

Payments on long-term debt, including interest of \$165,250, will be required as follows:

Years Ending February 29,	
2005	\$104,329
2006	104,956
2007	105,229
2008	105,097
2009	109,572
2010-2011	<u>207,679</u>
	<u>\$736,862</u>

NOTE E - PROPERTY TAX LEVY

The Village collects real property taxes between July 1 and September 15. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Village for uncollected taxes as of September 15 out of the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Village to collect.

In 2003, the Village levied a total real and personal property tax of \$290,266, of which \$252,827 was collected before becoming delinquent; \$37,439 was paid by the County after becoming delinquent.

The 2003 tax levy was on \$34,304,824 of State taxable value at 8.5 mills.

NOTE F - LITIGATION

While the Village has been involved in various litigation regarding zoning and other matters, the Village attorney does not believe any claims will result which would materially affect the financial statements.

NOTE G - RISK MANAGEMENT

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage. The Village carries coverage for property damage, liability, wrongful acts, automobile, crime and inland marine claims. Also, the Village carries worker's compensation insurance with the Michigan Municipal League. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE H - PENSION PLAN

The Village participates in a defined contribution (money purchase) pension plan. The plan covers substantially all employees with the exception of seasonal employees. The amount of covered payroll for the year ended February 29, 2004 was \$114,546; total payroll for the year ended February 29, 2004 was \$191,896. Employer contributions are based upon a percentage of annual payroll. Employees make additional contributions at 4% of gross wages. Employees are vested 100% immediately in employee contributions and are vested as follows in employer contributions:

<u>Years of Service</u>	<u>Percent Vested</u>
0 - 2	0%
3	20
4	40
5	60
6	80
7	100

The Village fully funded its required contribution for the year ended February 29, 2004. Current year employer contributions amounted to \$6,699 or 6% of covered payroll. There were employee contributions of \$4,582 during the year.

None of the plan's assets are invested in Village securities or those of related parties. There are no loans from the plan to the Village.

COMBINING AND INDIVIDUAL FUND STATEMENTS

Village of Northport

SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

February 29, 2004

With comparative totals for February 28, 2003

	Major Street Fund	Local Street Fund	Fireworks Fund	Totals	
				2004	2003
ASSETS					
Cash	\$ 3,452	\$ 74,745	\$ 4,746	\$ 82,943	\$ 45,342
Cash invested	58,912	23,402	-	82,314	81,581
Due from other governmental units	3,779	1,578	-	5,357	5,177
	<u>\$ 66,143</u>	<u>\$ 99,725</u>	<u>\$ 4,746</u>	<u>\$ 170,614</u>	<u>\$ 132,100</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accrued wages	\$ 511	\$ 479	\$ -	\$ 990	\$ 317
FUND BALANCE					
	<u>65,632</u>	<u>99,246</u>	<u>4,746</u>	<u>169,624</u>	<u>131,783</u>
	<u>\$ 66,143</u>	<u>\$ 99,725</u>	<u>\$ 4,746</u>	<u>\$ 170,614</u>	<u>\$ 132,100</u>

Village of Northport

SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the year ended February 29, 2004
With comparative totals for the year ended February 28, 2003

	Major Street Fund	Local Street Fund	Fireworks Fund	Totals	
				2004	2003
Revenues					
Intergovernmental revenues	\$ 48,853	\$ 21,389	\$ -	\$ 70,242	\$ 63,626
Contributions	-	-	7,963	7,963	7,697
Interest income	1,037	309	31	1,377	1,044
Other	-	-	-	-	810
Total revenues	<u>49,890</u>	<u>21,698</u>	<u>7,994</u>	<u>79,582</u>	<u>73,177</u>
Expenditures					
Community activities	-	-	8,000	8,000	6,710
Highways and streets	26,135	33,777	-	59,912	81,091
Capital outlay	20,005	11,760	-	31,765	-
Other	-	-	-	-	634
Total expenditures	<u>46,140</u>	<u>45,537</u>	<u>8,000</u>	<u>99,677</u>	<u>88,435</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>3,750</u>	<u>(23,839)</u>	<u>(6)</u>	<u>(20,095)</u>	<u>(15,258)</u>
Other financing sources (uses)					
Operating transfers in	-	66,936	-	66,936	59,000
Operating transfers out	(9,000)	-	-	(9,000)	(11,250)
Total other financing sources (uses)	<u>(9,000)</u>	<u>66,936</u>	<u>-</u>	<u>57,936</u>	<u>47,750</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(5,250)</u>	<u>43,097</u>	<u>(6)</u>	<u>37,841</u>	<u>32,492</u>
Fund balance, beginning of year	<u>70,882</u>	<u>56,149</u>	<u>4,752</u>	<u>131,783</u>	<u>99,291</u>
Fund balance, end of year	<u>\$ 65,632</u>	<u>\$ 99,246</u>	<u>\$ 4,746</u>	<u>\$ 169,624</u>	<u>\$ 131,783</u>

Village of Northport

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended February 29, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental			
Weight and gas tax	\$ 42,297	\$ 48,853	\$ 6,556
Interest income	800	1,037	237
Total revenues	43,097	49,890	6,793
Expenditures			
Surface maintenance	3,500	1,911	1,589
Sweeping and flushing	4,380	4,357	23
Drainage	10,803	364	10,439
Equipment rental	2,000	350	1,650
Traffic services	2,048	849	1,199
Pavement markings	1,200	-	1,200
Winter maintenance	15,712	14,362	1,350
Administration	4,398	3,262	1,136
Engineering	2,000	680	1,320
Contingency	7,627	-	7,627
Capital outlay	22,522	20,005	2,517
Total expenditures	76,190	46,140	30,050
EXCESS REVENUES OVER (UNDER)			
 EXPENDITURES	(33,093)	3,750	36,843
Other financing uses			
Operating transfers out	(9,000)	(9,000)	-
EXCESS REVENUES UNDER			
 EXPENDITURES AND OTHER USES	(42,093)	(5,250)	36,843
Fund balance, beginning of year	70,882	70,882	-
Fund balance, end of year	\$ 28,789	\$ 65,632	\$ 36,843

Village of Northport
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended February 29, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental			
Weight and gas tax	\$ 19,079	\$ 21,389	\$ 2,310
Interest income	200	309	109
Total revenues	<u>19,279</u>	<u>21,698</u>	<u>2,419</u>
Expenditures			
Surface maintenance	8,067	4,837	3,230
Sweeping and flushing	4,996	3,406	1,590
Drainage	9,652	1,625	8,027
Equipment rental	2,000	-	2,000
Traffic services	8,507	8,505	2
Pavement markings	250	-	250
Winter maintenance	13,357	11,653	1,704
Administration	3,901	3,071	830
Engineering	13,000	680	12,320
Contingency	7,740	-	7,740
Capital outlay	<u>14,745</u>	<u>11,760</u>	<u>2,985</u>
Total expenditures	<u>86,215</u>	<u>45,537</u>	<u>40,678</u>
EXCESS REVENUES			
UNDER EXPENDITURES	(66,936)	(23,839)	43,097
Other financing sources			
Operating transfers in	<u>66,936</u>	<u>66,936</u>	<u>-</u>
EXCESS REVENUES AND OTHER			
SOURCES OVER EXPENDITURES	-	43,097	43,097
Fund balance, beginning of year	<u>56,149</u>	<u>56,149</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 56,149</u></u>	<u><u>\$ 99,246</u></u>	<u><u>\$ 43,097</u></u>

Village of Northport

FIREWORKS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended February 29, 2004

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Contributions	\$ 8,500	\$ 7,963	\$ (537)
Interest income	40	31	(9)
Other	1,260	-	(1,260)
Total revenues	9,800	7,994	(1,806)
Expenditures			
Community activities	8,000	8,000	-
Other	1,800	-	1,800
Total expenditures	9,800	8,000	1,800
EXCESS REVENUES UNDER EXPENDITURES	-	(6)	(6)
Fund balance, beginning of year	4,752	4,752	-
Fund balance, end of year	<u>\$ 4,752</u>	<u>\$ 4,746</u>	<u>\$ (6)</u>

Village of Northport
ENTERPRISE FUNDS
COMBINING BALANCE SHEET

February 29, 2004
With comparative totals for February 28, 2003

ASSETS	Water Fund	Marina Fund	Totals	
			2004	2003
CURRENT ASSETS				
Cash	\$ 68,589	\$ 24,944	\$ 93,533	\$ 135,642
Cash invested	13,846	203,343	217,189	214,638
Cash restricted for replacement	-	307,821	307,821	299,251
Cash restricted for debt retirement	-	300,323	300,323	291,069
Receivables				
Accounts receivable	13,420	-	13,420	19,389
Prepaid expenses	-	856	856	5,081
Total current assets	<u>95,855</u>	<u>837,287</u>	<u>933,142</u>	<u>965,070</u>
PROPERTY, PLANT AND EQUIPMENT				
Land	-	220,991	220,991	220,991
Land improvements	-	203,968	203,968	67,652
Buildings	-	89,275	89,275	89,275
Other improvements	1,020,981	2,046,154	3,067,135	3,248,885
Mains, equipment and fixtures	12,888	43,331	56,219	132,626
Less accumulated depreciation	<u>(241,040)</u>	<u>(1,220,955)</u>	<u>(1,461,995)</u>	<u>(1,576,755)</u>
Net property, plant and equipment	<u>792,829</u>	<u>1,382,764</u>	<u>2,175,593</u>	<u>2,182,674</u>
	<u>\$ 888,684</u>	<u>\$ 2,220,051</u>	<u>\$ 3,108,735</u>	<u>\$ 3,147,744</u>
LIABILITIES AND FUND EQUITY				
CURRENT LIABILITIES				
Current portion of long-term debt	\$ 15,000	\$ -	\$ 15,000	\$ 15,000
Accounts payable	-	2,794	2,794	2,947
Accrued wages and related liabilities	736	611	1,347	1,745
Deferred revenues	-	285	285	285
Accrued interest payable	1,618	-	1,618	2,632
Payable from restricted assets				
Accrued interest payable	-	11,233	11,233	12,313
Current portion of long-term debt	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>45,000</u>
Total current liabilities	<u>17,354</u>	<u>64,923</u>	<u>82,277</u>	<u>79,922</u>
LONG-TERM LIABILITIES,				
net of current maturities	<u>101,612</u>	<u>405,000</u>	<u>506,612</u>	<u>571,612</u>
Total liabilities	<u>118,966</u>	<u>469,923</u>	<u>588,889</u>	<u>651,534</u>
FUND EQUITY				
Contributed capital	-	491,664	491,664	532,409
Retained earnings				
Reserved for debt retirement	-	300,323	300,323	291,069
Reserved for replacement	-	307,821	307,821	299,251
Unreserved	<u>769,718</u>	<u>650,320</u>	<u>1,420,038</u>	<u>1,373,481</u>
Total fund equity	<u>769,718</u>	<u>1,750,128</u>	<u>2,519,846</u>	<u>2,496,210</u>
	<u>\$ 888,684</u>	<u>\$ 2,220,051</u>	<u>\$ 3,108,735</u>	<u>\$ 3,147,744</u>

Village of Northport

ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the year ended February 29, 2004
With comparative totals for February 28, 2003

	Water Fund	Marina Fund	Totals	
			2004	2003
Operating revenues				
Charges for services	\$ 68,565	\$ 265,202	\$ 333,767	\$ 363,624
Gas and oil sales	-	167,987	167,987	171,102
Other	1,363	3,530	4,893	9,952
Total operating revenues	69,928	436,719	506,647	544,678
Operating expenses				
Payroll and related benefits	37,071	105,481	142,552	148,004
Supplies	4,598	8,579	13,177	15,513
Contracted services	338	9,070	9,408	9,164
Utilities	8,965	15,322	24,287	27,494
Repairs	2,828	21,913	24,741	25,258
Equipment rental	3,855	31,718	35,573	32,073
Gas and oil purchases	-	135,976	135,976	138,156
Insurance	2,840	6,519	9,359	5,630
Depreciation	21,946	83,678	105,624	104,551
Miscellaneous	3,559	17,672	21,231	13,355
Total operating expenses	86,000	435,928	521,928	519,198
Operating income (loss)	(16,072)	791	(15,281)	25,480
Nonoperating revenue (expense)				
Loss on sale of asset	(1,474)	(2,327)	(3,801)	-
Interest revenue	189	17,174	17,363	24,968
Interest expense	(3,687)	(35,858)	(39,545)	(46,449)
Net nonoperating expense	(4,972)	(21,011)	(25,983)	(21,481)
NET EARNINGS (LOSS)	(21,044)	(20,220)	(41,264)	3,999
Transfers from other funds	64,900	-	64,900	38,873
Add depreciation on fixed assets acquired by capital grants	-	40,745	40,745	40,745
Net increase in retained earnings	43,856	20,525	64,381	83,617
Retained earnings, beginning of year	725,862	1,237,939	1,963,801	1,880,184
Retained earnings, end of year	\$ 769,718	\$ 1,258,464	\$ 2,028,182	\$ 1,963,801

Village of Northport

ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS

For the year ended February 29, 2004
With comparative totals for the year ended February 28, 2003

	Water Fund	Marina Fund	Totals	
			2004	2003
Operating activities				
Net earnings (loss)	\$ (21,044)	\$ (20,220)	\$ (41,264)	\$ 3,999
Adjustments to reconcile net earnings to cash provided by operating activities				
Depreciation	21,946	83,678	105,624	104,551
Loss on sale of assets	1,474	2,327	3,801	-
Decrease in due from other funds	-	-	-	71,500
(Increase) decrease in cash invested	(138)	(2,413)	(2,551)	21,536
Decrease (increase) in accounts receivable	5,969	-	5,969	(14,304)
Decrease (increase) in prepaid expenses	1,960	2,265	4,225	(1,028)
Increase (decrease) in accounts payable	(1,208)	1,055	(153)	(1,653)
Decrease in accrued liabilities	(918)	(1,574)	(2,492)	(2,397)
Decrease in due to other funds	-	-	-	(1,661)
Net cash flow provided by operating activities	<u>8,041</u>	<u>65,118</u>	<u>73,159</u>	<u>180,543</u>
Investing activities				
Purchase of fixed assets	-	(102,344)	(102,344)	(10,678)
Transfers to restricted cash	-	(17,824)	(17,824)	(19,531)
Net cash used by investing activities	<u>-</u>	<u>(120,168)</u>	<u>(120,168)</u>	<u>(30,209)</u>
Capital financing activities				
Bonds retired and contract payments	<u>(15,000)</u>	<u>(45,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>
Non-capital financing activities				
Transfers from other funds	<u>64,900</u>	<u>-</u>	<u>64,900</u>	<u>38,873</u>
NET INCREASE (DECREASE) IN CASH	57,941	(100,050)	(42,109)	129,207
Cash, beginning of year	<u>10,648</u>	<u>124,994</u>	<u>135,642</u>	<u>6,435</u>
Cash, end of year	<u><u>\$ 68,589</u></u>	<u><u>\$ 24,944</u></u>	<u><u>\$ 93,533</u></u>	<u><u>\$ 135,642</u></u>



DENNIS, GARTLAND & NIERGARTH P.C.

Business and Financial Advisors
Our clients' success – our business

Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
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Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA

**REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable President and
Members of the Village Council
Village of Northport

We have audited the general purpose financial statements of the Village of Northport as of and for the year ended February 29, 2004, and have issued our report thereon dated April 14, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Northport's general purpose financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Northport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Village Council and others within the organization. However, this report is a matter of public record and its distribution is not limited.

Dennis, Gartland & Niergarth, P.C.

April 14, 2004

Member of



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